



**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

FILED
10-26-06
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In the Matter of the Application of California-American Water Company (U 210 W) for an order authorizing it to increase its rates for water service in its Monterey District to increase revenues by \$9,456,100 or 32.88% in the year 2006; \$1,894,100 or 4.95% in the year 2007; and \$1,574,600 or 3.92% in the year 2008; and for an order authorizing sixteen Special Requests with revenue requirements of \$3,815,900 in the year 2006, \$5,622,300 in the year 2007, and \$8,720,500 in the year 2008; the total increase in rates for water service combined with the sixteen Special Requests could increase revenues by \$13,272,000 or 46.16% in the year 2006; 7,516,400 or 17.86% in the year 2007; and \$10,295,100 or 20.73% in the year 2008

Application 05-02-012
(Filed February 16, 2005)

In the Matter of the Application of California-American Water Company (U 210 W) for Authorization to Increase its Rates for Water Service in its Felton District to increase revenues by \$796,400 or 105.2% in the year 2006; \$53,600 or 3.44% in the year 2007; and \$16,600 or 1.03% in the year 2008; and for an order authorizing two Special Requests

Application 05-02-013
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**COMMENTS OF FELTON FRIENDS OF LOCALLY OWNED WATER
ON PROPOSED DECISION RESOLVING GENERAL RATE CASES**

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October 26, 2006

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**COMMENTS OF FELTON FRIENDS OF LOCALLY OWNED WATER
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In accordance with Rule 14.3 of the Commission's Rules of Practice and Procedure, Felton Friends of Locally Owned Water ("Felton FLOW") respectfully submit these comments on the October 6, 2006 Proposed Decision of Administrative Law Judge Walwyn Resolving General Rate Cases (the "PD"). Felton FLOW appreciates the fact that the PD accepts much of the evidence proffered by Felton FLOW and adopts some of its recommendations on the authorized rates for the Monterey and Felton Districts of California-American Water Company ("Cal-Am"). Unfortunately, the PD does not go far enough and, in several respects, errs.

I. THE ACTION THE PD TAKES TO ADDRESS RATE SHOCK IN THE FELTON DISTRICT IS HELPFUL BUT INSUFFICIENT

The PD acknowledges the rate shock faced by Felton District ratepayers, who are confronted with a very large rate increase as a result of the PD, on top of the significant rate increase imposed by D.04-05-023 and D.05-09-004.¹ The PD would mitigate this rate shock by limiting the rate increase in the first year to 50% of the increase authorized by the PD.² That limit is to be calculated to include the rate increase effects caused by D.05-09-004.

Felton FLOW appreciates the limited measures adopted by the PD in an effort to mitigate the rate shock to which Cal-Am's Felton District customers will be exposed by the PD. Unfortunately, the mitigation provided by the PD is insufficient. Under the Cal-Am/DRA Settlement Agreement, most elements of which are adopted by the PD, rates in Felton would increase by more than 89.41% over the rates in effect when hearings were held in this proceeding. The PD does adopt some modifications that reduce the rate impacts somewhat. However, the 50% limitation adopted by the PD is a very temporary solution that provides no long-term remedy. For that reason, Felton FLOW has asked the Commission to investigate the need to require Cal-Am to facilitate a public acquisition of the Felton District facilities.

II. THE PD ERRS IN LIMITING ITS ACTION ON CURRENT MUNICIPALIZATION TO "ENCOURAGING" CAL-AM TO ENGAGE IN ALTERNATIVE DISPUTE RESOLUTION

The PD recognizes that the process of public acquisition of the Felton District has been initiated with the passage of Measure W.³ The PD declines to order Cal-Am to divest the Felton District but it notes that "the Commission's policy is to strongly encourage parties to pursue

¹ PD at 90.
² PD at 91.
³ PD at 88-89.

alternative dispute resolution (ADR), either as a substitute or in tandem with formal litigation,” and it encourages Cal-Am and Santa Cruz County to engage in ADR.⁴

Unfortunately, Cal-Am has publicly stated that it will not participate in such alternative dispute resolution. As a result, the PD should be revised to acknowledge Cal-Am’s refusal to participate in ADR on this important issue.

III. THE PD ERRS IN GRANTING CAL-AM THE FULL RETURN ON EQUITY IT REQUESTED; THE PD RELIES UPON INFORMATION SUBMITTED BY CAL-AM THAT IS NOT IN THE RECORD IN VIOLATION OF COMMISSION RULES AND FUNDAMENTAL PRINCIPLES OF DUE PROCESS

The PD grants Cal-Am the full return on equity (ROE) provided for in the Settlement Agreement, 10.10% for the Monterey District⁵ and 9.95% for the Felton District.⁶ The PD claims that in adopting these ROE’s, it looks to interest rate trends and interest forecasts, but tempers reliance on “the predictive value of this evidence as the current market has shown anomalous behavior.”⁷ Unfortunately, the PD fails to take adequate account of the evidence in the record of anomalous interest rate trends. In the process, the PD commits legal error by relying on evidence of current financial market conditions first proffered by Cal-Am in its reply brief, while rejecting Felton FLOW’s motion to supplement the record with additional financial information concerning current financial market conditions that contradicts the information submitted by Cal-Am after the record closed.

In its Opening Brief, Felton FLOW recommended that the Commission reduce Cal-Am’s authorized return on equity to reflect current financial market conditions. In support of this recommendation, Felton FLOW relied on evidence in the record from the financial publications commonly relied upon by investors, utility managers and financial experts in providing advice

⁴ PD at 89.

⁵ PD at 19, Finding of Fact 8.

⁶ PD at 70, Finding of Fact 32.

⁷ PD at 15.

and making business and investment decisions. This evidence demonstrated that interest rates at the time the testimony was prepared were lower than when the Commission last set Cal-Am's return on equity⁸ and that contrary to Cal-Am's claims, investors interested in longer-term, low-risk investments are not expecting any significant rise in interest rates or yields on such investments in the near future.

Felton FLOW also cited evidence that current financial markets are atypical of normal market conditions and not in conformance with what traditional financial models would predict. In particular, yields on longer-term investments are not moving in concert with yields on short-term investments. While rates and yields on short-term investments had been steadily rising, rates and yields on long-term investments had not risen and, as a result, the normal differential between interest rates and yields on short-term and long-term investments had narrowed dramatically and at times had actually become inverted, i.e. rates and yields on long-term government bonds were actually lower than on short-term government bonds. Felton FLOW also offered evidence that under these unique market conditions, utility investments have proven far more attractive and have far out-performed other investment alternatives. On the basis of this evidence, Felton FLOW argued that Cal-Am's return on equity should be reduced, not increased as Cal-Am has requested and the Settlement Agreement between Cal-Am and ORA would provide.

In its Reply Brief, Cal-Am opposed Felton FLOW's recommendation that its authorized return be reduced and in doing so attempted to rebut some of the evidence Felton FLOW introduced during evidentiary hearings by referring to financial publications that are not in the record and to interest rate developments that have occurred since hearings were concluded. It

⁸ The Commission last set Cal-Am's authorized return on equity for the Felton District in D.04-05-023 adopted on May 11, 2004.

stated,

As any reader of the business sections of the current popular press will readily note, all interest rates, short and long-term, have risen since FLOW's testimony in this proceeding in June-July 2005 . . .⁹

The references by Cal-Am to "the current popular press" and to interest rate changes that allegedly have occurred "since FLOW's testimony in this proceeding" were to information that is not in the record of this proceeding.

In response to the introduction of this extra-record information, Felton FLOW moved to reopen and supplement the record with current information to provide a more complete and accurate update regarding current financial market conditions pertinent to the Commission's consideration of the ROE that should be authorized.

The PD denies Felton's FLOW's request to supplement the record.¹⁰ However, the PD declines to strike Cal-Am's references in its reply brief to documents outside the record or Cal-Am's unsupported argument that recent interest rate changes "are demonstrably moving in a fashion completely consistent with the DRI (and ORA and CAW) forecasts for 2006-2008."¹¹ The PD's acceptance of Cal-Am's argument is procedurally improper and in violation of Commission practice and procedure, as well as a violation of fundamental principles of fairness and due process since Felton FLOW was denied the opportunity to rebut the information or to respond to the inaccurate argument Cal-Am made in reliance on it.

More importantly, it is legal error for the PD to rely on these arguments made by Cal-Am in its reply brief because they are incorrect and misleading and are contradicted by information of which the Commission may take judicial notice. Interest rates have changed since Felton FLOW's testimony in this proceeding, but Cal-Am is incorrect in claiming that such changes are

⁹ Cal-Am Reply Brief at 22.

¹⁰ PD at 17, n.31.

¹¹ Cal-Am Reply Brief at 22.

“moving in a fashion completely consistent with the DRI (and ORA and CAW) forecasts.”

There is no evidence to support such a claim and plenty of evidence demonstrating that this claim is not correct. Evidence that has become available since Felton FLOW’s testimony was prepared and hearings concluded in this matter confirms Felton FLOW’s claim that financial market conditions continue to remain quite atypical, long-term interest rates are currently lower than they were in June 2004 even though short-term rates have increased considerably since then, long-term yields remain almost completely de-linked from short-term yields, as at the time of hearings in this proceeding, and gains in utility stock indexes are still far outpacing those of other comparable investments. As a result, contrary to Cal-Am’s claims, recent information from financial publications does not support its claim that interest rates are moving in a manner consistent with the predictions of traditional financial models or with the financial models of DRI, ORA or CAW.

Two recent Wall Street Journal articles provide useful information regarding current financial market conditions and confirm that the inversion of short-term and long-term interest rates Felton FLOW highlighted during the evidentiary hearings is not simply a temporary aberration that the Commission can disregard, but rather has continued essentially for the entire past year. Felton FLOW asks the Commission to take official notice of the information contained in these publications. The September 6, 2006 Wall Street Journal Article defines the interest rate “inversion” as “a situation in which short-term yields go above long-term yields, the opposite of the norm.”¹² The October 4, 2006 Wall Street Journal article, published only two days before the PD was issued, shows that the interest rate inversion has continued to the present,

¹² Wall Street Journal, Sept. 6, 2006, at page C2, C4 (attached hereto as Appendix B).

illustrating that investors view long-term risk to be lower than short-term risk, i.e., the interest rate on 10-year Treasury Bills is lower than the interest rate on Two-Year Treasury Bills.¹³

This information regarding current financial market conditions confirms the accuracy of the evidence introduced by Felton FLOW and provides ample justification for reducing Cal-Am's authorized ROE, or at a minimum, maintaining it at a level no higher than approved by the Commission in its last general rate case.

IV. CONCLUSION

Felton FLOW respectfully requests that the Commission adopt the changes to the PD that are proposed herein.

Respectfully submitted,

/s/

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October 26, 2006

¹³ Wall Street Journal, Oct. 4, 2006, at page C2 (attached hereto as Appendix C).

APPENDIX A

PROPOSED FINDINGS OF FACT

Revised Findings of Fact

8. A return on equity of ~~10.108.79~~9.958.79% for Monterey for the GRC period is reasonable based on the record and is fair because the return is commensurate with returns on investments in comparable companies and insufficient to (a) assure confidence in the financial integrity of Cal-Am, (b) maintain its credit, and (c) attract necessary capital.

32. A capital structure of 63% debt/ 37% equity, a cost of debt of 6.37% and a return on equity of ~~9.958.79~~9.958.79% for the Felton district for the three year GRC period is reasonable.

41. We should address the issue of rate shock for Felton customers by applying our policy of limiting rate increases to 50% of present rates in the first year after a decision increasing rates. We should calculate this to include the rate increase effects of D.05-09-044. We should also address this issue by investigating the need to require Cal-Am to facilitate a public acquisition of the Felton District facilities, in an appropriate proceeding.

New Finding of Fact 50

50. The process of public acquisition of the Felton District has been initiated with the passage of Measure W. The Commission encourages Cal-Am and Santa Cruz County to engage in ADR with respect to the issue of the public acquisition of the Felton District. Cal-Am has publicly stated that it will not participate in such alternative dispute resolution.

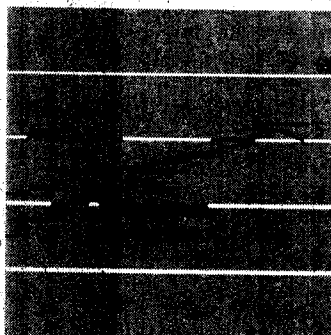
APPENDIX B

WALL STREET JOURNAL, SEPTEMBER 6, 2006, PAGES C2 AND C4

INTEREST RATES & BONDS

Consumer Rates

Benchmark personal borrowing rate vs. Federal-funds target rate, the interest rate on overnight loans between banks.



	S	O	N	D	J	F	M	A	M	J	J	A
	2005				2006							
	NAT'L AVG WK'S CHG											
Credit card	13.08% ...											
Prime Rate*	8.25 ...											
Money market ann. yield	3.33 -0.01											

New-car loan	6.93	...
30-yr. fixed-rate mortgage	5.93	-0.04
15-yr. fixed-rate mortgage	5.65	-0.03
Jumbo mortgages†	6.22	-0.01
One-year ARM	5.32	-0.02
Home-equity loan	7.74	-0.01

*Base rate posted by 75% of the nation's largest banks; †Over \$417,000

Most Competitive Rates

Five-year CD ann. yield

Investment National Bank 5.72% APY
New York, NY, 212-218-8383

First Internet Bank of Indiana 5.64%
Indianapolis, IN, 888-873-3424

Eastern Savings Bank 5.60%
Hunt Valley, MD, 800-787-7372

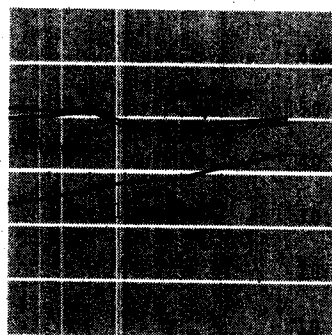
Allied First Bank 5.55%
Naperville, IL, 800-272-3286

AmTrust Direct 5.55%
Cleveland, OH, 888-288-8146

Source: Bankrate.com; WSJ Market Data Group

Treasury Yield Curve

Yield to maturity of current bills, notes and bonds.

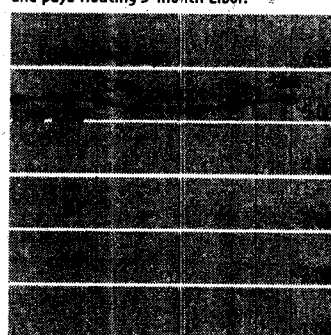


	1	3	6	2	5	10	30
	month(s)			years			maturity

Source: Reuters

Libor/Swap Curve

Counterparty receives (mid-market) semi-annual swap rates for 2 to 30 years and pays floating 3-month Libor.



	3	6	1	2	5	10	30
	months			year(s)			maturity

Source: Tullett Prebon Information, Ltd.

Major Bond Indexes

U.S. Treasury Securities

	CLOSE	NET CHG	% CHG	52-WEEK		YTD	
				HIGH	LOW	% CHG	% CHG
Lehman Brothers							
Intermediate	7906.54	-3.42	-0.04	7909.96	7694.63	+0.71	+0.97
Long-term	13462.84	-73.27	-0.54	13871.64	12653.38	-2.95	-1.80
Composite	9117.76	-14.58	-0.16	9137.90	8805.98	-0.22	+0.27

Broad Market Lehman Brothers (preliminary)

U.S. Aggregate	1163.96	-1.76	-0.13	1165.72	1114.89	+1.80	+2.09
U.S. Gov't/Credit	1337.85	-2.48	-0.17	1340.33	1288.27	+1.09	+1.60

U.S. Corporate Debt Issues Merrill Lynch

Corporate Master	1572.59	-4.19	-0.27	1576.78	1512.28	+0.91	+1.70
High Yield	788.36	+0.57	+0.07	788.36	728.31	+5.72	+6.02
Yankee Bonds	1160.99	-2.58	-0.22	1163.57	1114.84	+1.29	+1.62

Mortgage-Backed Securities current coupon; Merrill Lynch: Dec. 31, 1986=100

Ginnie Mae	469.58	-0.40	-0.09	469.98	451.31	+1.92	+1.92
Fannie Mae	463.74	-0.46	-0.10	464.20	446.20	+1.97	+2.39
Freddie Mac	286.23	-0.28	-0.10	286.51	273.51	+2.71	+2.96

Tax-Exempt Securities Merrill Lynch: Dec. 22, 1999

6% Bond Buyer Muni	115.09	-0.31	-0.27	116.13	111.09	-0.89	+0.68
7-12 Yr G.O.	215.68	-0.37	-0.17	216.05	205.80	+2.53	+2.80
12-22 Yr G.O.	234.59	-0.39	-0.17	234.98	222.18	+3.08	+3.11
22+ Yr Revenue	229.21	-0.35	-0.15	229.56	215.91	+4.11	+3.87

MARKETS

Bond Prices Sink Following Holiday

*Addresses by Fed Officials
May Drive Week's Trading;
WaMu's European Venture*

By MICHAEL S. DERBY

September's start was ugly for the U.S. Treasury-bond market, with issues across the yield curve retreating.

The selling hit most strongly at longer-dated securities, unsurprising given the gains they made last week as investors adjusted their portfolios at the end of the month.

CREDIT MARKETS

Also working against the market: Treasury securities have done well of late, as market participants have marked down odds of more Federal Reserve rate increases and begun to position for what they believe could be rate cuts next year.

At 4 p.m., the benchmark 10-year note was down 15/32 point, or \$4.6875 per \$1,000 face value, at 100 22/32. Its yield rose to 4.787% from 4.730% Friday, as yields move inversely to prices. The 30-year bond fell 29/32 point to 93 9/32 to yield 4.935%.

Yesterday's drop in prices came amid a dearth of economic data to give the market direction. The bond market was closed Monday to observe Labor Day in the U.S.

"There's not a lot of new information this week to generate enthusiasm," said Ian Lyngen, interest-rate strategist at RBS Greenwich Capital in Greenwich, Conn.

There is little in the way of big numbers scheduled for release this week.

AUCTION RESULTS

Here are the results of yesterday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

13-WEEK and 26-WEEK BILLS

	13-Week	26-Week
Applications	\$37,388,700,000	\$34,466,853,000
Accepted bids	\$18,000,036,000	\$16,000,081,000
Accepted noncomp	\$1,951,930,000	\$1,835,374,000
Accepted from non	\$546,100,000	\$325,000,000
Auction price (Rate)	98.772764 (4.855%)	97.512667 (4.920%)
Coupon equivalent	4.984%	5.116%
Bids at market yield	14.72%	19.1%
Cusip number	912795YH8	912795YW5

Both issues are dated Sept. 7. The 13-week bills mature Dec. 7, 2006, and the 26-week bills mature March 8, 2007.

8-DAY TREASURY CASH-MANAGEMENT BILLS

Applications	\$38,741,850,000
Accepted bids	\$12,000,050,000
Accepted noncompetitively	\$1,850,000
Auction price (Rate)	99.885222 (5.165%)
Coupon equivalent	5.243%
Bids at market-clearing yield accepted	57.80%
Cusip number	912795TV3

The bills are dated Sept. 7 and mature Sept. 15, 2006.

Yield Comparisons

Based on Merrill Lynch Bond Indexes, priced as of midafternoon Eastern time.

	9/5	9/4	HIGH	LOW
Corp. Govt. Master	5.25%	5.21%	5.72%	4.31%
Treasury				
1-10 yr	4.79	4.75	5.27	3.81
10+ yr	4.97	4.91	5.40	4.29
Agencies				
1-10 yr	5.16	5.13	5.62	4.08
10+ yr	5.32	5.26	5.80	4.65
Corporate				
1-10 yr High Quality	5.37	5.33	5.87	4.40
Medium Quality	5.72	5.68	6.19	4.75
10+ yr High Quality	5.96	5.91	6.40	5.27
Medium Quality	6.37	6.32	6.80	5.54
Yankee bonds (1)	5.65	5.61	6.14	4.69
Current-coupon mortgages (2)				
GNMA 6.00% (3)	5.83	5.80	6.38	4.95
FNMA 6.00%	5.96	5.93	6.43	5.17
FHLMC 6.00%	6.00	5.97	6.47	5.21
High-yield corporates	8.27	8.28	8.65	7.65
Tax-Exempt Bonds				
7-12 yr G.O. (AA)	3.89	3.86	4.28	3.57
12-22 yr G.O. (AA)	4.20	4.17	4.59	3.92
22+ yr revenue (A)	4.47	4.44	4.85	4.26

Note: High quality rated AAA-AA; medium quality A-BBB/Baa; high yield, BB/Ba-C.

(1) Dollar-denominated, SEC-registered bonds of foreign issuers sold in the U.S. (2) Reflects the 52-week high and low of mortgage-backed securities indexes rather than the individual securities shown. (3) Government guaranteed.

However, two Fed officials will give addresses on the economy later in the week, which could drive the market.

The selling in long-dated Treasuries helped strip away some of the market's inversion, a situation in which short-term yields go above long-term yields, the opposite of the norm. Such a development is often correlated with coming economic troubles.

While the calendar is thin, there are a few releases for investors to watch today: the Institute for Supply Management's report on the economy outside of manufacturing; the Federal Reserve's "beige book" report on current economic conditions; and the revised productivity figure, which includes unit labor costs.

Corporate-Bond Deluge

September was off to a running start in the investment-grade corporate-bond market, with nearly \$8 billion announced on the first full trading day of the month.

Market participants agree that cash-rich investors need not clamor for additional supply, as estimates of \$60 to \$80 billion in new paper should satiate bond buyers.

Bank names dominate the calendar, with several benchmark-sized global deals in the works. Notable names on tap include the **European Investment Bank**, the **International American Development Bank** and **Woori Bank**.

Smaller issues from **Marshall & Ilsley**

Corp., **SunTrust Banks Inc.** and **Andean Development Bank (Corporación Andina de Fomento SA)** are also in the market.

"In a marketplace that's pretty concerned about shareholder concern activities and private-equity funds, banks are not a huge risk," said Tom Murphy, investment-grade portfolio manager at RiverSource Investments. Mergers and acquisitions are "not something you have to worry too much about where banks are concerned. They are higher quality, higher rated and have more flexibility," he said.

With many large banks scheduled to report earnings during the second and third weeks of October, and events like the Fed monetary-policy meeting nearing, the tail end of the third quarter is historically an active time in capital markets.

Mortgage Money on Tap

Washington Mutual Inc. is set to become the first U.S. financial institution to jump into Europe's rich covered-bond market—a move that will provide a new source of cash for mortgage lending and could reduce the bank's reliance on the Federal Home Loan Bank System.

Seattle-based Washington Mutual is one of the nation's largest banks and leading mortgage lenders. Representatives of Washington Mutual and Barclays Capital, a unit of Barclays PLC that is helping to put together the deal, are in Europe this week meeting with investors to lay the groundwork for launching a \$25 billion-plus covered-bond program. The initial issuance is expected to top \$2.5 billion. Because of regulatory limitations, the deal is not available to U.S. investors.

Covered bonds are backed by mortgages or public-sector loans and work much like asset-backed securities. A major difference is that covered-bond issuers retain the assets on their balance sheets rather than transferring the assets to the bond investors.

In Europe, the market for covered bonds now totals around \$2 trillion. Ted Lord, global head of covered bonds for Barclays, noted that covered bonds are attractive to investors because "they are very safe instruments and have been around for centuries without a payment problem."

Paul Phillips, vice president of capital strategies for Washington Mutual, said covered bonds represent a "deep and liquid" market.

—Kellie Geressy and Michael Hudson contributed to this article.

Bond Market Data Bank appears on page B4, Money Rates on page C5.

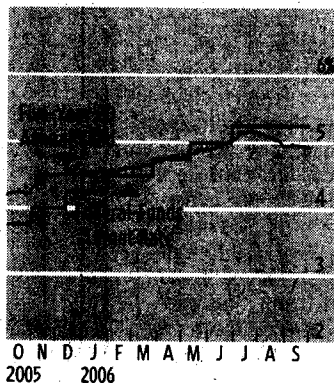
APPENDIX C

WALL STREET JOURNAL, OCTOBER 4, 2006, PAGE C2

INTEREST RATES & BONDS

Consumer Rates

Benchmark personal borrowing rate vs. Federal-funds target rate, the interest rate on overnight loans between banks.



	NAT'L AVG	WK'S CHG
Credit card	13.08%	...
Prime Rate*	8.25	...
Money market ann. yield	3.61	+0.09
New-car loan	6.94	...
30-yr. fixed-rate mortgage	5.81	+0.05
15-yr. fixed-rate mortgage	5.51	+0.02
Jumbo mortgages†	6.12	+0.01
One-year ARM	5.23	-0.04
Home-equity loan	7.64	-0.03

*Base rate posted by 75% of the nation's largest banks; †Over \$417,000

Most Competitive Rates

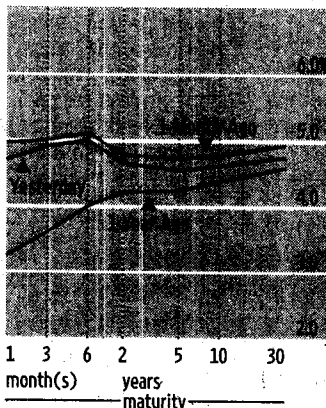
Five-year CD ann. yield

E-LOAN	5.59% APY
Pleasanton, CA, 866-576-7283	
Eastern Savings Bank	5.46%
Hunt Valley, MD, 800-787-7372	
Bank of Internet USA	5.35%
San Diego, CA, 877-541-2634	
First Internet Bank of Indiana	5.35%
Indianapolis, IN, 888-873-3424	
Advanta Bank Corp	5.26%
Draper, UT, 800-788-2632	

Source: Bankrate.com; WSJ Market Data Group

Treasury Yield Curve

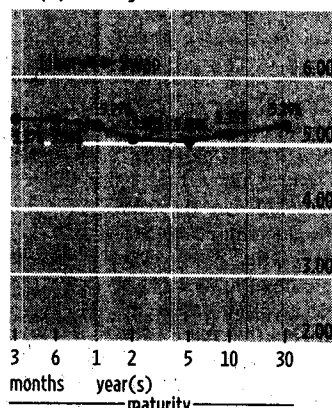
Yield to maturity of current bills, notes and bonds.



Source: Reuters

Libor/Swap Curve

Counterparty receives (mid-market) semi-annual swap rates for 2 to 30 years and pays floating 3-month Libor.



Source: Tullett Prebon Information, Ltd.

Major Bond Indexes

U.S. Treasury Securities

	CLOSE	NET CHG	% CHG	52-WEEK		YTD
Lehman Brothers				HIGH	LOW	% CHG
Intermediate	7975.30	+1.05	+0.01	7981.34	7694.63	+2.60
Long-term	13777.32	+5.47	+0.04	13843.17	12653.38	+2.13
Composite	9228.12	+1.77	+0.02	9243.89	8805.98	+2.45

Broad Market Lehman Brothers (preliminary)

U.S. Aggregate	1177.76	-2.08	+0.05	1179.84	1114.89	+3.92
U.S. Gov't/Credit	1355.49	-3.92	+0.04	1359.41	1288.27	+3.55

U.S. Corporate Debt Issues Merrill Lynch

Corporate Master	1595.17	+0.90	+0.06	1597.70	1512.28	+3.82
High Yield	798.15	+0.36	+0.05	798.15	728.31	+7.97
Yankee Bonds	1175.56	+0.57	+0.05	1176.86	1114.84	+3.71

Mortgage-Backed Securities current coupon; Merrill Lynch: Dec. 31, 1986=100

Ginnie Mae	472.95	+0.29	+0.06	472.95	451.31	+3.71
Fannie Mae	467.73	+0.23	+0.05	467.73	446.20	+3.57
Freddie Mac	288.78	+0.14	+0.05	288.78	273.51	+4.32

Tax-Exempt Securities Merrill Lynch: Dec. 22, 1999

6% Bond Buyer Muni	115.91	-0.03	-0.03	116.53	111.09	+1.67
7-12 Yr G.O.	217.37	-0.11	-0.05	218.12	205.80	+4.72
12-22 Yr G.O.	236.76	-0.08	-0.03	237.66	222.18	+5.48
22+ Yr Revenue	231.42	-0.02	-0.01	231.98	215.91	+6.04

CERTIFICATE OF SERVICE

I, Judy Pau, certify:

I am employed in the City and County of San Francisco, California, am over eighteen years of age and am not a party to the within entitled cause. My business address is One 505 Montgomery Street, Suite 800, San Francisco, California 94111.

On October 26, 2006, I caused the following to be served:

COMMENTS OF FELTON FRIENDS OF LOCALLY OWNED WATER ON PROPOSED DECISION RESOLVING GENERAL RATE CASES

enclosed in a sealed envelope, by first class mail on the parties listed as “Appearance” and “State Service” on the attached service list who have not provided an electronic mail address, and via electronic mail to all parties on the service list who have provided the Commission with an electronic mail address.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on the date above at San Francisco, California.

_____/s/
Judy Pau

Service List A.05-02-012 et al

Proceeding: A0502012 - CAL-AMERICAN WTR. CO
Filer: CALIFORNIA-AMERICAN WATER COMPANY (U 201-W)
List Name: LIST
Last changed: October 11, 2006

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